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Arizona Corporation Commission

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July 8, 2009

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AZ CORP COMMISSION

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Via Hand-Delivery

Mr. Elijah Abinah Assistant Director/Acting Chief Accountant Financial & Regulatory Analysis Section Utilities Division Arizona Corporation Commission 1200 W. Washington Street Phoenix, Arizona 85007

> Re: Coronado Utilities, Inc. - Docket No. SW-04305A-09-0291 Response to Letter of Insufficiency

Dear Mr. Abinah,

We are in receipt of Staff's Letter of Insufficiency dated July 6, 2009, in the above-captioned matter. Although we do not necessarily agree with Staff's findings, please accept this correspondence and the enclosed documents as Coronado Utilities, Inc.'s ("Coronado" or the "Company") response to the specific issues raised in your letter.

1. Schedule A-5 column for Prior year ended December 31, 2006 does not properly disclose the net cash flows from investing activities.

RESPONSE: Please find the attached revised A-5 which discloses the net cash flows from investing activities for Prior Year Ended December 31, 2006, attached hereto as Attachment 1.

2. On page two of Schedule C2, page 9 it shows the wrong adjustment number, it should be adjustment "7" not "6".

RESPONSE: Please find the attached revised C-2, page 9 with the correct adjustment number, attached hereto as Attachment 2.

FENNEMORE CRAIG, P.C.

Mr. Elijah Abinah Utilities Division Arizona Corporation Commission July 8, 2009 Page 2

3. Adjustment no. 9 as shown on schedule C-2 page 10 shows a contractual services total of \$153,479. This does not reconcile to the Contractual Services balance as shown on schedule C-l of \$177,286.

RESPONSE: The \$153,479 shown on Schedule C-2, page 10 is the basis for the affiliate profit adjustment and not the test year amount of \$177,286 for Contractual Services that is shown on Schedule C-1. No correction or revision is necessary to either Schedule. Coronado's consultant has discussed this matter.

Additionally, Ms. Dorothy Hains from the Utilities Division requested Coronado provide additional plant description information for pages 11 and 12 of Attachment 2 of the Application. The Company is gathering the information requested by Ms. Dorothy Hains and will supplement its response to Staff's Letter of Insufficiency as soon as possible.

As with all our clients, Coronado prefers to process this application through cooperation with Staff. Towards that end, the enclosed responses and revised schedules address Staff's concerns to the extent possible without making any material changes to its filings or changing positions on issues that may be in dispute.

In that same spirit of cooperation, we urge Staff to accept the Company's responses to the insufficiency findings and **deem the filing sufficient as soon as possible.** Another 30-day sufficiency review period would surely send the wrong message to utilities that make an effort to cooperate with Staff notwithstanding legitimate concerns.

Should you have any further questions, please do not hesitate to call. Thank you for your time and assistance.

Ve**ty** truly yours,

Jay II. Shapir

Enclosures

cc:

Docket Control

Ayesha Vohra, Legal Division Gary McMurry, Utilities Division Dorothy Hains, Utilities Division

Jason Williamson

Tom Bourassa

2214127.1/12923.003

Attachment 1

Coronado Utilities, Inc.

Test Year Ended December 31, 2008 Summary Statements of Cash Flows Exhibit Schedule A-5 Page 1 Witness: Bourassa

Line No.	Summary Statements of Cash Flows							Wit	ge 1 tness: Bouras :VISED	ssa	
1 2 3			Prior Year Ended		Prior Year Ended	_	Test Year Ended		Projected Present Rates	Ρ	roposed Rates
4		12	<u>2/31/2006</u>	1	12/31/2007	1	2/31/2008	1	2/31/2009	12	/31/2009
5	Cash Flows from Operating Activities	_		_				_		_	
6	Net Income	\$	95,509	\$	104,991	\$	19,206	\$	(1,484)	\$	104,316
7	Adjustments to reconcile net income to net cash										
8	provided by operating activities:										
9	Depreciation and Amortization		53,919		110,482		180,888		186,095		186,095
10	Adjustments to Depreciation/Amortization		•		(4,740)		(24,773)				
11	Other		-		-		-				
12	Changes in Certain Assets and Liabilities:		-		(-				
13	Accounts Receivable		(20,167)		(62,070)		(24,735)				
14	Unbilled Revenues		•		-		-				
15	Materials and Supplies Inventory		-		-		-				
16	Prepaid Expenses		•		(790)						
17	Deferred Charges		·		(32,996)		9,518				
18	Accounts Payable		580,133		(373,630)		95,593				
19	Intercompany payable				·		.				
20	Customer Deposits		191,008		(156,668)		(14,531)				
21	Intercompany taxes receivable and taxes payable		-		(36,744)		(25,108)				
22	Other assets and liabilities		(310,270)		60,857		312				
23	Deferred Debits and Credits		50,286	_	(137,964)	_	4,739	_			
24	Net Cash Flow provided by Operating Activities	\$	640,418	\$	(529,272)	\$_	221,109	\$	184,611	\$	290,411
25	Cash Flow From Investing Activities:										
26	Capital Expenditures	(2	2,505,183)		(1,724,718)		(146,147)		(30,000)		(30,000)
27	Plant Held for Future Use		-				-				
28	Changes in debt reserve fund	-	-	_		_		_		_	
	Net Cash Flows from Investing Activities	\$ (2	2,505,183)	\$	(1,724,718)	\$	(146,147)	\$	(30,000)	\$	(30,000)
30	Cash Flow From Financing Activities										
31	Change in Restricted Cash		-		-		-				
32	Change in net amounts due to parent and affiliates						-				
33	Receipt of advances for and contributions in aid of construction		295,676		307,525		-		-		-
34	Refunds for advances for construction	_			-		-		-		
35	Repayments of Long-Term Debt	2	2,650,000		-		(75,000)		(80,000)		(80,000)
36	Dividends Paid - Common		•		-		-		-		-
37	Dividends Paid - Preferred		•		-		-		-		•
38	Deferred Financing Costs		-		-		-		-		-
39	Paid in Capital	_	886,288	_		_	-		-		<u>-</u>
	Net Cash Flows Provided by Financing Activities			\$		\$	(75,000)	\$	(80,000)	<u> </u>	(80,000)
	Increase(decrease) in Cash and Cash Equivalents	1	,967,199	-	(1,946,465)		(38)		74,611		180,411
	Cash and Cash Equivalents at Beginning of Year			_	1,967,199	_	20,734	_	20,696		20,696
	Cash and Cash Equivalents at End of Year	<u>\$ 1</u>	,967,199	\$	20,734	\$	20,696	\$	95,307	•	201,107
	SUPPORTING SCHEDULES:										
	E-3										
46	r-2										
47											

Attachment 2

Coronado Utilities, Inc.

Test Year Ended December 31, 2008 Adjustment to Revenues and Expenses Adjustment Number 8 Exhibit Schedule C-2 Page 9 Witness: Bourassa **Revised**

Line			
<u>No.</u>			
1			
2	Annualize Purchased Power		
3			
4	Test Year Purchased Power plus Adjustment 7	\$	54,783
5	Total Flow Gallons (in 1000's)		83,875
6	Cost per 1,000 gallons	\$	0.65
7			
8	Additional Wastewater gallons (in 1,000's) from revenue annualization		(864)
9			
10	Additional cost based on revenue annualization	\$	(564)
11			
12	Increase (decrease) in Purchased Power	_\$	(564)
13			
14			
15			
16			
17	Adjustment to Revenue and/or Expense	<u>\$</u>	(564)
18			
19			
20			